Chapter 1

Tinderbox: Hazardous Unwritten Rules

The two of us grew up watching baseball in the 1970s and 1980s when it was a much different game than it is now. In fact, pretty much since baseball's origin, most managers would use the sacrifice bunt to get a runner from first base to second base with nobody out.

Where did this strategy originate? We're not sure, but our hypothesis lies in baseball's earliest days (pre-1900). Equipment was less robust, and as a result, home runs were rare. Therefore, the possibility of scoring runs in "chunks" through home runs and extra base hits was low. Over time, the choice to bunt developed into conventional wisdom for baseball managers. It became the default, no-thinking option. You just did it. And if you didn't do it, baseball writers would pick apart your decision, and your job would be in jeopardy.

The logic for bunting was that you got a runner into scoring position – second base – where a single could, in theory, allow the runner to score. If you gave up an out, but got the runner to second, you might be in a better position to score. This thinking was pervasive in baseball for most of its history, even in the midst of a fundamental shift in player ability and nature of the game. Eventually, power hitting increased, raising the opportunity cost of a bunt. And a growing emphasis on pitch count – working the number of pitches to force teams to go to their bullpen earlier in the game – ran counter to the reality that bunts are most effective when used early in the count. But still, teams were bunting.[1]

Then, Billy Beane and his team, the Oakland A's, decided to put into practice a concept originated by Bill James: a rejection of the notion that bunting was a good idea. Their logic was that outs were precious. You had only three outs every inning and to give one up – 33% of your capacity – for the *chance* that you might score only one run made little sense. They used statistical analyses to show that bunting would not probabilistically maximize the number of runs you might score. At the time, people panned this concept. But then it started to work and the A's started to win. The Michael Lewis book *Moneyball* has popularized this story; in the eponymous film, Billy Beane (played by Brad Pitt) used it as a metaphor for a bet paying off well.

Why, after 100 years, did a team decide to put this strategy into practice? As is often the case, necessity was the mother of invention. The A's had no money to sign proven players, and Beane realized that following the same strategy as other teams was a recipe for mediocrity at best. He had nothing to lose; nobody expected him to do well. So he had the necessary preconditions for thinking about the situation and asking, "So, why do we do it like this?" The answers he got back were various versions of, "This is what we've always done."

When you hear someone say, "This is what we've always done," you know that you're dealing with conventional wisdom – the thinking that governs a habitual decision or choice. People fail to question the logic for this behavior. It simply is the automatic choice – the safe choice. But the problem with actions that take on conventional wisdom arises as you become further and further removed from the original reason for the action, as happened with bunting in baseball during the better part of a century.

The people who make the decision – such as the manager calling the bunt – stop treating that action as a choice and instead treat it as a rule. But there's no rule in baseball that says you have to bunt when you get a runner on first base with no outs. Similarly, there's no rule in baseball that says you should use a closer in the ninth inning (very recently, some managers such as Terry Francona have begun using their "closers" earlier in the game when it appears the game is on the line). Baseball does have a clear set of rules, which, for the most part, have remained the same since the start of the game. A rule book outlines everything that is legal within the framework. Rules define what can and cannot be. All that falls within the rules is completely fair game to try for the purpose of gaining an advantage on your opponent to score more runs, which is the *objective*. Yet, over and over again, we find ourselves bunting – mindlessly falling into rote best practices.

Rules are the governing body for how you pursue your objective. In sports, the rule book defines the boundaries in which the players can compete. In many industries, regulations and laws broadly define what you can and cannot do, but for the most part, as in sports, businesses have a relatively broad mandate. Still, conventional wisdom gets in the way of creativity. Conventional wisdom is what we see as the right thing to do, often without deeply thinking about why we do it. It's what we've always done – the automatic, nonthinking choice.

This is a book about blowing up those best practices that saturate your business before it's too late. The primary purpose of *Detonate* is to help you begin to spot traditional business activities that need to be questioned because of changes in the world today – and then to help you find different ways of doing things. Some of the examples will appear as caricatures of commonplace situations, but we hope that, in painting them starkly – and sometimes comically – they will stand out in our readers' memories as they return to their daily lives.

Organizations spend countless hours debating how (not whether) they should implement best practices, and they then convince themselves that they can somehow win with their customers because they will have implemented all of them. Actually, the entire concept of best practices, by definition, means that you're doing the same thing as your competition.

The concept of best practice in and of itself does not offend our sensibilities, despite the title of our book. It's the lazy thinking that surrounds them that does. There are some best practices that may have been good when they were developed but are typically reapplied poorly as they travel. There are some best practices that were smart given the context, but when context changes (as it is now for many businesses), we need to abandon the practice because they've turned into a waste of time and money. And there are some practices that we thought were smart, but with experience we find they are not. The common thread is that we need to move from a world where best practices are the rule to one where best practices are one of several possible tools for solving a problem.

At one point, there was a good case for bunting – as there is for many best practices. The logic for why bunting made sense was unclear and unquestioned. Then it simply became "what we do" – it ossified into a rule, an orthodoxy that couldn't be questioned. (We'll have more to say about the idea of orthodoxy later in this chapter.) And very few managers went back and analyzed why this choice was so automatic. Those who didn't follow were "rule breakers."

But, importantly, they weren't breaking "rules," they were simply breaking with convention. And that can feel like a dangerous move. But that's exactly what we're here to do: to teach you how to find your best practices and blow them up. The corporate world of scaled business can reap tremendous benefits from our lessons, while start-ups and entrepreneurs will also find great value as they learn what to avoid as they themselves scale.

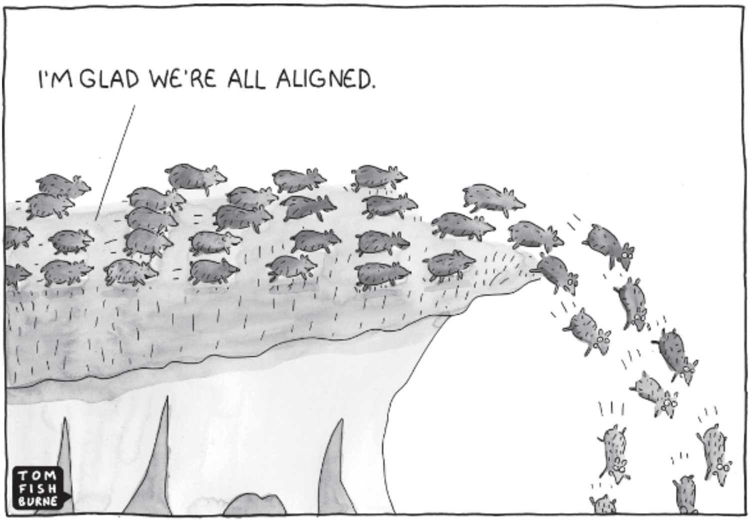
Who We Are

We draw the content for *Detonate* from our cumulative experience consulting to some of the world's largest and most successful companies for nearly five decades. We see businesses confusing *conventional wisdom* with *rules* all the time. As a result, they've ended up doing things that don't have a clear logic tracing back to a core objective.

We've seen the successes and failures, the celebrations and flameouts, the heights of excitement and the depths of frustration. We know this stuff is real, and we're confident that any reader who has spent time in a large, established organization will see some parts of their company reflected in our observations. Recognition of collective folly is sometimes enough to catalyze change toward a world in which – at a minimum (and to steal a phrase from one of our clients) – we can stop doing the dumb stuff.

We were concerned that our observations were just that – things we had seen in our own experience that might not be as widespread as we thought they were. So to help us make sure that these practices *are* widespread, we initiated a survey of established organizations to understand what they do. As you'll see, we are skeptical of surveys, so ours only focused on the respondents reporting the behaviors of their organizations, not explaining them. We asked respondents at nearly 300 companies questions that were typically along the lines of, "Do you observe Behavior X at your company?" The results of that survey – together with our own experience dealing with conventional wisdom – are at the heart of *Detonate*.

WHY BEST PRACTICES PERSIST



For millennia, being part of the pack and blending in has been a good strategy for survival. Evolution has created an animal instinct to swarm in order to create selection pressure and predator confusion. "Safety in numbers" makes it hard to catch one animal when there are multiple similar animals nearby. In addition, a large group with a combination of colors and patterns makes it harder to distinguish one animal from another. Meanwhile, multiple eyes looking out for individual safety turns into safety for all, and a little bit of downtime to chill out and relax a bit every once in a while. Herd mentality ran rampant on the African steppes, and it runs rampant in corporate life today.[2]

There's a good reason for it. Consider, for instance, this well-worn phrase: "Nobody ever got fired for buying IBM."

You've heard the axiom *ad nauseam*.

Buying Big Blue isn't itself the problem.

The problem is this: For most cases in business, the oft-repeated advice implies that all of us must make the safe choice to avoid pain. But when you make the safe choice, and when you avoid pain – and when you run with the herd – it's hard, by definition, to stand out from the pack in the eyes of your customers, which in turn, dooms you in the long run. So, what works in the animal community doesn't translate to the business world.

Sure, sometimes safe choices are the right ones to pursue but, increasingly, the concentric circle between safe choices and best choices is getting smaller. Safe choices are those that are defensible to bosses and other powerful stakeholders. People who make safe choices avoid the possible pain of embarrassment or the perception of being stupid or – worse – "way out there." Pursuing the conventional wisdom – bunting, buying IBM – is a normal human trait, but one that does us a disservice.

For employees interested in job preservation, the formula for success has been pretty straightforward, too: Learn from those that came before you; follow conventional wisdom and what they have passed on to you; and when a marginal call comes along, take the safe bet. If that bet turns out to be wrong, then who among your superiors – the ones who imparted the conventional wisdom in the first place and probably would have done the same thing – could fault you for your choice? The world has moved slowly and predictably enough that, most of the time, bad calls can be fixed and employees can get on with their careers.

Of course, there's some hyperbole in this, but not much. After all, self-optimization and personal risk management are why conventional wisdom exists. In this case, the thing being optimized – the objective – is the longevity of employment at the personal level and career success more specifically, what we call the survival of "Me Inc." (a theme we'll return to throughout the book). When you layer on top of the personal a need to manage down risk for the corporation and all that it requires, an observable and simple dynamic turns into a systemic tangle of operating procedures.

Conventional wisdom rests on the notion that "the way things are done" is simply in the ether: As company employees, we live, breathe, eat, and act based on an unstated set of rules that "just are." Most of the time, the rules are unspoken and unwritten and they're often learned on the job – from a mentor or from watching what others in your industry or company do. Occasionally, someone captures some of the rules and throws them in a frame to adorn every conference room in the company.

But most of the time, rules are just assumed to be right. It's the corporate version of herd mentality: Follow the flow of the organization and the instinct of those that have come before you, and you're likely not to be picked off for poor performance. But try to do things differently and stray a bit from the pack, and you may discover the grass is not actually greener. You are, in fact, dead meat.

Industry dynamics and externalities might shift the relative importance of any of these at different points in time, but all sit at the heart of any corporate mandate. These organizational instincts create the corporate equivalent of individual risk mitigation. Like the hapless employee just trying to protect his job, the corporation aims for self-preservation and spews operating procedures and processes and guidelines as the ultimate manifestation of conventional wisdom.

OSSIFICATION OF PLAYBOOKS

Companies' playbooks – the codification of conventional wisdom – need to be completely rewritten. They may have been successful for decades, and we know that you and your colleagues are attached to them. But in light of what most of you are experiencing – pressure against long-standing business models and ways of working as a result of advances in technology – no amount of incremental improvement is going to create the necessary changes. That's why we decided to call this book *Detonate*. Most core business processes based on conventional wisdom or "best practice" have become ossified and overladen with guidelines to the point that they are virtually unrecognizable from their original design and intended purpose.

Consider the case of Six Sigma, which went from being a highly useful practice to, in many places, an ossified rule book that seems absent any real connection to its original objective. The oil embargo of 1973 was a massive wake-up call for US automotive industry leaders, who suddenly saw competition from foreign companies. The Japanese in particular – focused on quality as a competitive platform since World War II – were able to bring to market more fuel-efficient cars, which addressed a sudden shift in customer requirements. Somehow, these machines were less expensive, higher quality, and better aligned with customer requirements than American cars, and a steady loss of share ensued, eventually rippling to impact many corners of American manufacturing.

The science of continuous improvement was nothing new at the time; the concept of fishbone diagrams had been around for decades. But now American manufacturers were students of the Japanese quality system, professionalizing aspects of it and even creating awards for its successful adoption. The introduction of the Malcolm Baldrige National Quality Award in 1987 catalyzed even more fervor for the topic.

Partially intended to celebrate and reward the sharing of best practices, the Baldrige Award virtually guaranteed that people would document, share, and train others in what worked for them. In the same year, Bill Smith at Motorola took quality to a new level by extending the number of acceptable standard deviations from the specification mean from three to six – hence, Six Sigma. This meant that – applied successfully – output would meet specs 99.99% of the time and would result in 0.02 defects per million opportunities.[3]

Motorola was able to realize massive savings by applying Six Sigma, and the concept snowballed: GE, Xerox, and Kodak, among others, started to pay attention. IBM adopted the approach, improved on certain elements of it, and shared it broadly with its suppliers, engineers, and managers. Suddenly, it seemed all the business world could talk about was Cp, CpK, and DMAIC.

In the 1990s, two ex-employees of Motorola founded the Six Sigma Academy and offered accreditation in varying levels of competence in applying tools such as Lean Six Sigma. Borrowing from nomenclature in proficiency at Eastern martial arts, SSA established the notion of Green, Yellow, Black, and Master belts for Six Sigma practicing professionals. The original spirit of continuous improvement and adaptation to customer expectations, however, started to play second fiddle to process adherence and data collection. Today, in many companies, full departments are dedicated to Six Sigma professionals who are available to join project teams to help them stick to the playbook and learn the lessons of three decades of application. Six Sigma is celebrated for its "rigorous, disciplined approach and well-publicized, proven business successes."

But let's not kid ourselves: Employees treat Six Sigma as a set of rules that project teams must mindlessly follow. It's gotten so bad that a network comedy such as *30 Rock* could devote an entire episode, "Retreat to Move Forward," to mocking Six Sigma, calling out the "pillars of the Six Sigma business philosophy – teamwork, insight, brutality, male enhancement, handshakefulness, and play hard." When your best practice tips over into parody, be careful.

By forgetting the core objective and allowing conventional wisdom to harden into fact, many Six Sigma practitioners have lost sight of the room for creativity in its application. Also disappeared is the culture and mindset needed to innovate and adapt to change.

Six Sigma stands out as a particularly well-documented playbook, and one that businesses now routinely caricature. But it is the more general, harder-to-recognize form of conventional wisdom – that which subtly governs almost every action that we take in our business lives – that we believe to be more insidious.

PLAYBOOKS PRODUCE ORTHODOXY

Orthodoxy – “a belief or way of thinking that is accepted as true or correct” – is the most insidious form of conventional wisdom. Applied to the corporate world at scale and in the face of exponential change, it’s massively value-destroying and potentially disastrous.

Rooted in religion, orthodoxy is adherence to a given faith’s doctrine. Its appearance in the business world often bears many of the same hallmarks:

- It is passed down from generation to generation either via spoken or written word and is followed diligently since it is considered fundamental to the belief system.
- It tends to be at the heart of the institution’s success model – “Why our belief system and moral code is better than others” or “Why our company is better than competitors.”
- It is rarely challenged for fear of accusation of heresy by those responsible for propagating it.
- Even in the face of proof that it may be wrong, adherents quickly rationalize away that proof and/or find other reasons to believe.

The difference between religion and business (at least in this context), though, is that while it’s hard to find data to prove or disprove the value of an operating principle when the independent variable is an aspect of divinity, results in business are all too measurable.

In business, orthodoxy is simply the accumulation of conventional wisdom over time, and it underlies the rote work and decision-making that happen in the corporate world every day. Most orthodoxies need to be challenged. But not all do: Some are good, necessary, or inconsequential. Some orthodoxies can even evolve into a helpful set of rules, such as codifying safety procedures at an oil refinery or converting accounting practices into financial regulations. And toasting the founder on the company's birthday might be a simple, annual tradition that can stay. These are orthodoxies, but not ones that serve as blinders to innovation or anchors against progress.

As consumers of others' goods and services, we naturally wonder why things are the way they are. Why do grocery stores force shoppers with the largest baskets – and therefore of the most value – to stand in the longest lines? Why do hotels force tired business travelers to wait until the middle of their workday to check in? Why do gas stations force drivers who are trying to quickly pump gas and get back on the road answer dozens of questions about whether they want a car wash, what their zip code is, and whether they want a receipt? Some of these experiences likely have a reasonable root cause, but not all do.

Generally, orthodoxy exists in categories that all relate in some way back to corporate strategy; we tend to have pervasive beliefs that often go unstated and unchallenged. These exist in many areas such as our goals and aspirations, target customers and why they might choose us, our competition, how our industry works, and how we function internally.

Every time you identify a particular orthodoxy, you should research its existence. We recommend a few steps to dig into this in a bit more detail.

1. Ask why you do things this way and try to dig into where each practice might have started.
2. Imagine life without this orthodoxy; what would be the impact on your company's activities and/or success model?
3. Find people who behave outside the orthodoxy, either at your company or elsewhere.

4. Identify a business or service that does exactly the opposite of this orthodoxy.
5. Pinpoint a place in the world – or a time in history – where this orthodoxy would be impossible.

All of this should provide you with some perspective on the potential fallout of flipping the orthodoxy.

You'll need to do more, however, to create the confidence to go and do something about this orthodoxy at scale. The key, as you will learn throughout this book, is to get out and try – at a "minimally viable" scale – to challenge the orthodoxy. We borrow the phrase "minimally viable" from the world of design and the notion that designers should test prototypes as early in the development cycle as possible.

Act with the lowest burden of proof possible in identifying and thinking through the orthodoxy, and move quickly to design a test to flip it in a controlled setting. "Minimally viable" in the context of prototyping flipped orthodoxies means that you've designed a test that's a reasonable approximation of the potential impact if you take the action at scale, but contained enough that you're not taking on undue risk if your hypothesis is wrong. We'll explore all of this in more detail in subsequent chapters.

Business lore is dominated by stories of winners who have faced risk head-on and won. We celebrate companies such as FedEx, Spanx, and Zipcar because their leaders took a stance of gambling it all on their vision. In the case of FedEx, that was quite literally the case in which founder Fred Smith – in the early 1970s – took the company's last $5,000 to bet on blackjack in Las Vegas. He won, taking home $27,000 and enough to get the company back on track. And then there are also the losers who have been too tentative at a critical moment. Blockbuster critically missed the boat on a dirt-cheap Netflix acquisition. In some circles, to "be Kodak'ed" means being far too shortsighted and risk averse to recognize an existential threat. The critical point that might blindside all of us: It is becoming harder and harder to identify, much less quantify, risk.

THE PLAN

In the rest of Part I, we'll explore why you need to adopt a *Detonate* mindset now. In Chapter 2, we cover the context and conditions that have led us to where we are today and lay the basic argument for why it's so dangerous if we don't take action. We observe the nature of "rules" in business and why some typical playbooks are in place. We explore the nature of change and why some events of the past five years should convince all of us that the future is unlikely to be governed by many lessons from the past. In Chapter 3, we explore the four principles that will help you adopt the *Detonate* mindset.

Then in Part II, "Blow Up Your Playbooks," we dig into seven specific business "normal operating procedures" that we think should be discontinued and replaced with new practices. In discussing their destruction, we provide some critical guiding principles and mindset shifts for breaking out of old, bad habits. Simplistically, these principles largely comprise the *practical* application – for the established business – of much of what appears to come naturally to entrepreneurs.

Part III, "Build Something Better," shows how to make adjustments and how to extend these conversations into long-lasting success. While we have deep personal experience, and have collected a fair degree of data for this book, we know we are only scratching the surface of our collective reader base's potential and ultimate knowledge.

After discovering *Detonate*, you'll be able to

- Spot activities and "orthodoxies" that add no value – or even destroy value – and act with confidence to call them into question.

- Bring to your companies new ways of thinking and acting based on lessons from successful companies of *today*, competing effectively in the digital age, rather than lessons from decades ago.
- Identify within your organizations the right places to go and try some new practices without unduly threatening the immediate operating performance of your core business.
- Spread the word and help others discover a new, more fulfilling way of operating.

That's our plan, but ultimately we have an even bigger goal: We hope to catalyze a conversation that broadens over time to encompass others' insights and additional lessons. We'll discuss that in our final chapter.

We are both fundamentally optimistic. While we're purposely trying to call attention to certain pieces of the business sky falling, we are confident that we, as a business community, can make the shift toward a brighter future.

And if we are able to help, we believe we can not only save some businesses – and maybe even some industries – from extinction but also create more rewards along the way.

We just need to start trying.